Module 3 : Job Design and Pay

Job Design

Job design is critical to the success of any organization. For our purposes job design is defined as the allocation of specific work tasks to individuals and groups. Allocating jobs and tasks means specifying the contents, method and relationships of jobs to satisfy technological and organizational requirements as well as the personal needs of jobholders.

Tasks

A task can be best defined as a piece of assigned work expected to be done within a certain time. It is important to strictly and thoroughly identify tasks that need completion.

Motivation

In addition individuals need to be compelled, excited, and passionate to do their work. Hence, it is essential to design jobs that motivate employees. Motivation describes forces within the individual that account for the level, direction, and persistence of effort expended at work.

Resources

In job design it is necessary to identify and structure jobs in a way so that the company's resources are being efficiently used. Resource allocation occurs when organizations decide to appropriate or allocate certain resources to specific jobs, tasks or dilemmas facing the organization.

Maximize Efficiency

Jobs need to be constructed so that efficiency of the worker or department is maximized. Organizations need to use the resources and creativity of their employees effectively and efficiently. Appropriate resource allocation allows large organizations to foster and develop innovation in their workforce.

Reward System

Reward systems also play a role in job design. Reward systems include compensation, bonuses, raises, job security, benefits, and various other methods of reward for employees. An outline or description of reward packages needs to be established while constructing jobs.

Steps to effective job design

Key to effectively crafting a meaningful job for an employee is starting the thought process by looking at the values and strategy of the organization. By framing the job in these contexts the job design process is more likely to align potential employees with the purpose of the company.
Once you have this context the following steps will ensure both meaningful and effective job design:
- Assess skills, needs, abilities, and motivations of employees and the organization.
- Design the job to meet those needs, abilities and motivations.
- Implement the new job design.
- Audit the success of the job design and begin with step one periodically as well as when problems have been identified.

Brief history of traditional approaches to job design

Taylorism, also known as scientific management, is a foundation for management and managerial decisions. Frederick Taylor developed this theory in an effort to develop a “science” for every job within an organization.

Taylorism principles
Create a standard method for each job.
Successfully select and hire proper workers.
Effectively train these workers
Support these workers.

Hertzberg's Motivation-Hygiene theory attempts to uncover psychological needs of employees and enhance employee satisfaction. In regards to this theory employers are encouraged to design jobs that enhance and motivate employees beyond simply meeting a daily or weekly quota. This theory highlights the importance of rewards systems and monitoring when and how employees are rewarded. Simple recognition is often enough to motivate employees and increase job satisfaction.
More effective jobs can be created when specific goals are established. Goal setting theory as described by Edwin Locke mainly focuses on the motivational properties of task goals. Task goals can be highly motivating when set and managed properly. If a company wants to implement goal setting theory with regards to job design than a reasonable job criteria and description must be established.

Current Approaches of job design

Technology and the flattening of the global economy have contributed greatly to the changes we now see in jobs and job content across the world. We now recognize that a person presented with quality meaningful work is more likely to do that work well. Because of this insight, job design now presently takes a couple of prominent forms.

The first of which is designed around the evolution from individual work to work-groups. This job design practice is called Socio-Technical Systems (STS) approach.

Another modern job design theory is the Job Characteristics Model (JCM), which maintains five important elements that motivate workers and performance.

Socio-Technical Systems (STS) approach This is designed around the evolution from individual work to work-groups. This approach has the following guiding principles:

• The design of the organization must fit its goals.
• Employees must be actively involved in designing the structure of the organization.
• Control of variances in production or service must be undertaken as close to their source as possible.
• Subsystems must be designed around relatively self-contained and recognizable units of work.
• Support systems must fit in with the design of the organization.
• The design should allow for a high quality of working life.
• Changes should continue to be made as necessary to meet the changing environmental pressures

Job Characteristics Model (JCM)

This model maintains five important elements that motivate workers and performance:

• skill variety
• task identity
• task significance
• autonomy
• job feedback The individual elements are then proposed to lead to positive outcomes through three psychological states:
• experienced meaningfulness
• experienced responsibility
• the knowledge of results

Four Steps in Determining Staff Pay

How do companies decide the pay associated with each job? By following each of these four steps, a company will have a fair base pay system, which will lead to attracting and retaining the best employees.

Step 1
the company analyzes the content of each job.

Step 2
they assess the value each job contributes to the company.

Step 3
they price each job in the market.

Step 4
they look at the relationship between what they value internally and what the market values externally.

The following section looks at each of the four steps in determining staff pay in more detail.

Determining Staff Pay

Have you ever wondered how a company decides how much to pay for a particular job? Imagine that you have seen a job posted on the Internet. It reads,
"Office Assistant Wanted. Will answer the phone and greet visitors. Some word processing duties. Other duties as assigned. Start at USD 8.00 an hour". How did the manager decide to pay USD 8.00 per hour? Why did she decide that was fair? In this section, we will cover the two types of "fairness" important in designing a base pay system - **Internal equity,** and **External equity.**

Internal Equity

The first consideration is that the base pay system needs to be **internally equitable.** This means that the pay differentials between jobs need to be appropriate. The amount of base pay assigned to jobs needs to reflect the relative contribution of each job to the company's business objectives.
In determining this, the manager should ask herself, "How does the work of the office assistant described compare with the work of the office manager? " Another question to be asked is, "Does one contribute to solutions for customers more than another?"
Internal equity implies that pay rates should be the same for jobs where the work is similar and different for jobs where the work is dissimilar. Determining the appropriate differential in pay for people performing different work is a key challenge. Compensation specialists use two tools to help make these decisions: **job analysis and job evaluation.**

Job analysis is a systematic method to discover and describe the differences and similarities among jobs. A good job analysis collects sufficient information to adequately identify, define, and describe the content of a job. Since job titles may in and of themselves be misleading, for example, "systems analyst" does not reveal much about the job, the content of the job is more important to the analysis than the title.
In general, a typical job analysis attempts to describe the skill, effort, responsibility, and working conditions of each job.

- **Skill** refers to the experience, training, education, and ability required by the job.
- **Effort** refers to the mental or physical degree of effort actually expended in the performance of the job.
- **Responsibility** refers to the degree of accountability required in the performance of a job.
- **Working conditions** refer to the physical surroundings and hazards of a job, including dimensions such as inside versus outside work, heat, cold, and poor ventilation.

Job evaluation is a process that takes the information gathered by the job analysis and places a value on the job. Job evaluation is the process of systematically determining the relative worth of jobs based on a judgment of each job's value to the organization.
The most commonly used method of job evaluation in the United States and Europe is the "point method". The point method consists of three steps:
(1) defining a set of compensable factors,
(2) creating a numerical scale for each compensable factor, and
(3) weighting each compensable factor. Each job's relative value is determined by the total points assigned to it.

External equity

Refers to the relationship between one company's pay levels in comparison to what other employers pay.
Some employers set their pay levels higher than their competition, hoping to attract the best applicants. This is called **"leading the market".** The risk in leading the market is that a company's costs will generally be higher than its competitors' costs.
Other employers set their pay levels lower than their competition, hoping to save labor costs. This is called **"lagging the market".** The risk in lagging the market is that the company will be unable to attract the best applicants.
Most employers set their pay levels the same as their competition. This is called **"matching the market".** Matching the market maximizes the quality of talent while minimizing labor costs.

Defining your market:

An important question in external equity is how you define your market. Traditionally, markets can be defined in one of three ways. One way to define your market is **by identifying companies who hire employees with the same occupations or skills.** For example, if a company hires electrical engineers, it may define its market as all companies that hire electrical engineers. Another way to define a market is by **identifying companies who operate in the same geographic area.** For example, if the company is in Denver, Colorado, the market would be defined as all companies in Denver, Colorado. A third way to define a company's market is **by identifying direct competitors, that is, those companies who produce the same products and services.** For example, Shady Acres Veterinary Clinic may define its market as all other veterinary clinics. Notice that these three characterizations can interact, that is, Shady Acres might define its market as all veterinary clinics in Denver, Colorado that employ veterinary technicians.

surveying compensation paid:

Once you have defined your market, the next step is to survey the compensation paid by employers in your market. Surveys can be done in a variety of ways.

1. There are salary data publicly available through the Bureau of Labor Statistics in the United States.
2. There are salary data publicly available through the Internet.
3. Salary information can be obtained from a third party source, such as an industry group or employer organization, which has collected general information for a geographic region or industry.
4. The company can hire a consulting organization to custom design a survey.
5. A company can conduct their own survey.

Combining Internal and external equity

A company that has performed appropriate research has two sets of data:
The first is **pay structure,** the output from **the job evaluation.**
The second is market data, the output from the market survey.
The next step will be to combine these two sets of data, to create a pay policy line.
The pay policy line can be drawn freehand, by graphing actual salaries and connecting the dots. Alternatively, statistical techniques such as regression analysis are used to create a pay policy line. Regression generates a straight line that best fits the data by minimizing the variance around the line. In other words, the straight line generated by the regression analysis will be the line that best combines the internal value of a job (from job evaluation points) and the external value of a job (from the market survey).
You can also enact a policy of “leading” the market by raising the line, and the policy of “lagging” the market by lowering the line.